Low income among immigrants and visible minorities

Boris Palameta

Since the 1950s, immigrants have accounted for a steadily increasing proportion of Canada's population. By 2001, 18.4% of Canadians were born in other countries, a level similar to that during Canada's first immigration boom in the early 1900s. However, the composition of the current immigrant population is very different. Prior to the 1960s, the vast majority of immigrants came from Europe or the United States, but by 2001, more than half of Canada's immigrant population had come from other regions. Many were visible minorities; between 1981 and 2001, their proportion almost tripled, from under 5% to 13.4% of Canada's population.

The economic contribution of immigrants is well-established, yet the gap in well-being between immigrants and non-immigrants has increased in recent years. Low-income rates of immigrants relative to non-immigrants, as well as the earnings gap between them, rose substantially from 1980 to 2000, particularly for recent immigrants (Frenette and Morissette 2003; Picot and Hou 2003).

This study addresses two important gaps in the literature. The first is the vulnerability of immigrants to low income from a longitudinal perspective. Second, because many immigrants are also in a visible minority group, it has been difficult to disentangle the association between immigrant status and low income, and between visible minority status and low income. The question of whether visible minority immigrants are worse off than other immigrants has remained largely unanswered.

Previous studies of low-income exposure using the Survey of Labour and Income Dynamics (SLID) have not been able to focus on immigrants or visible minorities because the sample size was not sufficiently

Boris Palameta is with the Income Statistics Division. He can be reached at (613) 951-2124 or perspectives@statcan.ca.

Data source and definitions

The **Survey of Labour and Income Dynamics** (SLID) has been a source of longitudinal data since 1993. Respondents are surveyed twice a year—once on labour and once on income—for six consecutive years. Each six-year period is called a panel, and new panels are begun every three years. Presently, longitudinal data are available from two complete panels, 1993 to 1998 and 1996 to 2001, which have been combined into a single file. Because each panel represents the Canadian population at the time of sample selection, a panel identifier was added to the file to test for possible cohort effects. To ensure accurate variance estimation, bootstrap weights from the final year of each panel were added to the file.

Immigrants were divided into three groups based on years in Canada at the start of their panel. **Early immigrants** had been in Canada for at least 17 years, **mid-term immigrants** from 7 to 16 years, and **recent immigrants** from 1 to 6 years. These time periods correspond to those used by Morissette and Zhang (2001).

Visible minority status is derived from responses to questions on ethnic background, mother tongue and country of birth, using a procedure developed by the Interdepartmental Working Group on Employment Equity Data (IWGEED 1993).

The present analysis is limited to individuals 16 and older in the first year of their panel. Of the 46,905 individuals, 2,594 were excluded because less than six years of data were available. Attrition rates were higher for recent and mid-term immigrants—9.7% and 9.5% respectively—than for other Canadians (4.4%). Thus recent and mid-term immigrants may be slightly under-represented. Nevertheless, over 90% of the original sample of recent and mid-term immigrants were still in the survey six years after being selected. An additional 1,432 individuals were excluded because of missing or incomplete information.

Individuals were considered to be in low income for a given year if their economic family had an income that fell below their **low-income cutoff** (LICO), derived from the Survey of Household Spending. LICOs convey the income level at which a family may be in straitened circumstances because it has to spend a greater proportion of its income on necessities (food, shelter and clothing) than the average family of similar size. After-tax LICOs were used, since after-tax income is a better indicator of disposable income.

large. (Drolet and Morissette 1999; Morissette and Zhang 2001). The recent completion of a second six-year panel offers a larger sample by combining data from the second panel with the first. In this article, individuals below the low-income cutoff (LICO) for at least one year are compared with those never below the LICO (see *Data source and definitions*). The article also looks at how individuals repeatedly exposed to low income (for at least three of six years) differed from those who had more limited exposure (one or two years).

Recent immigrants are younger, are more likely to be visible minorities, and have higher rates of low income than other Canadians

Results showed that immigrants differ markedly from other Canadians (Table 1). Early immigrants were considerably older than non-immigrants, while recent immigrants were younger. Almost half of early immigrants were 55 or older at the start of the survey, compared with just over 20% of non-immigrants and less than 10% of recent immigrants. In contrast, well over half of recent immigrants were under 35, compared with just under 40% of non-immigrants and only 15% of early immigrants.

More than three-quarters (78%) of married recent immigrants had children, compared with just over half (52%) of non-immigrants and less than two-fifths (39%) of early immigrants.

Recent waves of immigrants have tended to come predominantly from Asia rather than Europe (Boyd and Vickers 2000; Chui and Zietsma 2003). Three of 4 recent immigrants and 3 of 5 mid-term immigrants were visible minorities, compared with only 1 of 5 early immigrants and less than 1 of 50 non-immigrants. A higher proportion of immigrants lived in Ontario or British Columbia, while a lower proportion lived in Quebec; a lower proportion also lived in rural areas.

Compared with the rest of the population, a higher proportion of recent and mid-term immigrants experienced low income. Just over 40% of mid-term immigrants and close to half (47%) of recent immigrants were below the LICO for at least one of the six years they were surveyed. Of these,

Table 1: Characteristics of immigrants and non-immigrants

	Total	Canadian-born	Immigrants		
			Early	Mid-term	Recent
			%		
Both sexes	**100.0**	**82.3**	**11.7**	**3.3**	**2.7**
Men	48.6	48.8	48.0	46.0	45.7
Women	51.4	51.2	52.0	54.0	54.3
Age*					
16 to 24	15.4	17.0	3.3	16.6	19.5
25 to 34	21.2	22.1	11.3	22.4	36.1
35 to 44	22.5	23.0	16.4	28.6	26.5
45 to 54	17.0	16.3	23.8	17.2	9.3
55 to 64	11.2	10.2	21.5	4.5	F
65 and over	12.7	11.5	23.7	10.8	4.0
Visible minority status					
Visible minority	7.9	1.7	20.8	62.2	74.7
Not a visible minority	92.1	98.3	79.2	37.8	25.3
Education*					
No high school diploma	29.0	29.0	30.1	27.5	26.2
High school diploma, no bachelor's degree	58.2	58.7	54.5	56.8	59.0
Bachelor's degree and higher	12.8	12.3	15.4	15.6	14.8
Family type*					
Unattached	15.2	15.7	14.9	8.6	8.7
Married with children	36.7	37.1	26.0	46.9	58.4
Married, no children	33.8	33.7	41.5	21.8	16.3
Lone parent	4.5	4.6	3.5	6.2	F
Other	9.8	8.9	14.1	16.5	11.7
Province*					
Quebec	26.3	28.9	12.6	18.4	16.1
Ontario	36.7	33.0	56.5	49.3	47.3
Alberta	8.9	8.8	7.9	11.4	11.0
British Columbia	12.8	11.8	17.5	15.0	23.0
Other	15.3	17.5	5.5	5.9	2.7
Urban/rural					
Urban (all six years)	77.2	74.7	88.1	90.3	91.5
Rural (at least one year)	22.8	25.3	11.9	9.7	8.5
Low income					
At least one year	22.9	22.0	18.4	40.7	47.4
At least three years	10.4	9.7	7.7	21.6	30.8

Source: Survey of Labour and Income Dynamics, 1993-2001
** At beginning of survey.*

more than half of mid-term immigrants and almost two-thirds of recent immigrants were below the LICO for three or more years. In contrast, only about 1 in 5 non-immigrants or early immigrants experienced low income for at least one year. Of those, less than half were in low income for three or more years.

What factors are associated with low income among immigrants? Are increased low-income rates among recent and mid-term immigrants a general trend—regardless of age, sex, marital status, education, or province of residence? Or are specific groups of recent and mid-term immigrants—visible minorities, for example—more likely to experience low income than other Canadians?

To answer these questions, two logistic regression models were used (see *Logistic regression models*). The first model compared individuals who had some exposure to low income with those who had no exposure. The second compared those who had limited exposure with those who had repeated exposure.

Interaction terms were added to both models to test whether the same factors were associated with low income for immigrants and non-immigrants. Cohort effects tested using a panel identifier and panel interaction terms were non-significant, so results from the two panels were combined.

Table 2: Probability of being in low income for at least one year in six

	Canadian-born	Recent immigrant
	%	
Reference person*	11.2	34.3
Men	8.9	28.7
Education**		
No high school diploma	18.2	48.0
Bachelor's degree or higher	6.2	21.4
Family type**		
Unattached	34.3	68.4
Married, no children	9.1	29.3
Lone parent	38.0	71.7
Other	16.1	44.3
Province**		
Quebec	16.9	45.8
Alberta	15.2	42.6
British Columbia	13.7	39.7
Other	14.8	41.8

Source: Survey of Labour and Income Dynamics, 1993-2001

* *Married woman in Ontario, aged 35 to 44, with children and a high school diploma, not a visible minority. The reference person's probability is significantly different from the other probabilities shown. A similar pattern is found if a reference person with different characteristics is selected.*

** *At beginning of survey.*

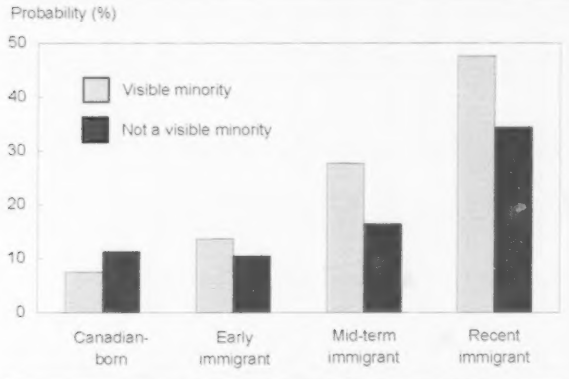
Recent immigrants are more likely than the Canadian-born to be in low income for at least one year

Some variables—sex, education, family type, and province—were linked with low income in the same way for immigrants and non-immigrants. Women, unmarried persons, those with no high school diploma, and those living in a province other than Ontario were most likely to experience low income for at least one year. However, in each case, the likelihood for recent immigrants was two to three times more than for the Canadian-born (Table 2). Even the least vulnerable group of recent immigrants—those with university degrees—were about the same as non-immigrants with no high school diploma. On the other hand, neither early nor mid-term immigrants were generally more likely than non-immigrants to experience low income.

Visible minority immigrants are more likely than other immigrants to be in low income for at least one year

Visible minority status was linked with low income for immigrants, but not for non-immigrants. Canadian-born visible minorities were no more likely than others born in Canada to experience low income. If anything, the tendency was for visible minorities to be less likely than other non-immigrants to experience low income, although the difference was not statistically significant (Chart A). On the other hand, visible minority immigrants were significantly more likely than other immigrants to be in low income, regardless of time in Canada. These results are consistent with previous findings that foreign-born, visible-minority men have a wage disadvantage (Hum and Simpson 1998).

Chart A: Recent immigrants are more likely than other immigrants to be in low income for at least one year.



Source: Survey of Labour and Income Dynamics, 1993-2001
Note: The chart is for married women in Ontario, aged 35 to 44, with children and a high school diploma. Similar patterns hold for other groups.

Seniors are less likely than other age groups to experience low income — except among mid-term immigrants

Among non-immigrants and early immigrants, 16 to 24 year-olds had the highest likelihood of experiencing low income, while those aged 65 and over had the lowest likelihood. However, recent and mid-term immigrants showed a different pattern (Chart B).

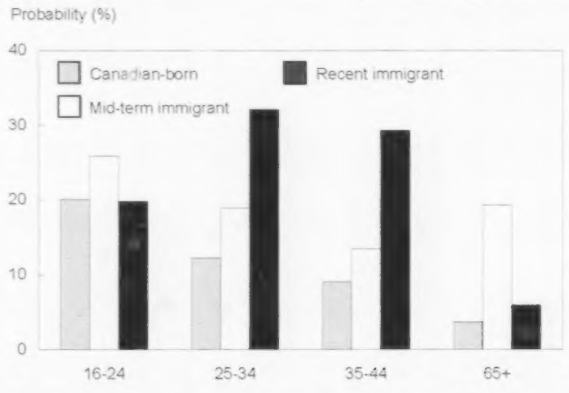
Mid-term immigrants did not differ significantly from non-immigrants in most age groups, with the exception of seniors (65 and over) where they were five times more likely to experience low income than their Canadian-born counterparts.

Seniors in general are the group least likely to experience low income, probably because of government programs such as the Canada and Quebec Pension Plans (C/QPP), Guaranteed Income Supplement (GIS), and Old Age Security (OAS), as well as private pensions (Myles 2000). Most seniors relied on pensions or government transfers, with 80% relying on them as their main source of family income for at least four of the six years. However, mid-term immigrant seniors, having arrived in Canada in their 50s or late 40s, had not had much time to accumulate C/QPP or private pension benefits.[1] Furthermore, those not in Canada for 10 years would not normally be eligible for OAS/GIS.[2] Over 80% of mid-term immigrant seniors whose primary source of family income was pensions or government transfers experienced low income for at least one year, compared with only 15% of Canadian-born seniors and 17% of early immigrant seniors.

Although the youngest age group (16 to 24) generally had the highest likelihood of experiencing low income, recent immigrants were an exception. They had roughly the same likelihood of experiencing low income as the Canadian-born (Chart B), whereas in all other age groups, recent immigrants had a significantly greater probability than non-immigrants.

Most of the youngest recent immigrants came to Canada in their teens, probably with their parents. More than three-quarters continued to live with their parents for at least three of the six years, compared with 60% of other 16 to 24 year-olds. No obvious characteristics clearly distinguish recent immigrant families with 16 to 24 year-olds from other recent immigrant families.

Chart B: The probability of being in low income for at least one year declines steadily with age only for the Canadian-born.



Source: Survey of Labour and Income Dynamics, 1993-2001
Note: The chart is for married women in Ontario, without children, with a high school diploma, and not a visible minority. Similar patterns hold for other groups. Only significant differences are shown.

Logistic regression models

Logistic regression estimates the probability of a particular outcome (here, experiencing low income) as a function of several explanatory variables. The association between each explanatory variable and the outcome is examined while holding all other variables constant. In other words, the probability of experiencing low income can be compared for individuals identical in every respect but one. For instance, a comparison can be made between recent immigrants and non-immigrants of the same age, educational level, family type, or visible minority status. An F-statistic is computed for each explanatory variable to determine whether a change in that variable is associated with a significant change in the probability of experiencing low income.

To account for the complex survey design, the analysis was conducted using SLID bootstrap weights and SUDAAN version 8.0. Global tests for possible interaction effects between immigrant status and other explanatory variables were included in the analysis. Interactions that were not significant at the global level were dropped, while globally significant interactions were examined further to see which individual components were significant. Similarly, cohort effects were examined in detail by interacting the panel identifier with every other explanatory variable.

Recent immigrants and visible minorities are more likely to have repeated exposure to low income

Among those in low income for at least one year, recent immigrants were more likely than non-immigrants to have repeated (three or more years) rather than limited (one or two) exposure. Similarly, visible minorities who were in low income at least once, including those born in Canada, were more likely than other Canadians with similar characteristics who were not visible minorities to experience low income repeatedly (Table 3).

Other groups who, having been in low income at least once, were at risk for repeated exposure included women, people in urban areas, those without a high school diploma, unattached individuals and lone parents, and those living in provinces other than Ontario or Alberta. Young people and seniors experiencing low income were more likely than 35 to 44 year-olds to have only limited rather than repeated exposure. Similarly, among married people, those with no children had a lower risk of repeated exposure than those with children.

Table 3: Probability of repeated low income (three years or more)

	%
Reference person*	30.8
Men	26.5
Immigrant status	
Recent immigrant	49.5
Mid-term immigrant	n.s.
Early immigrant	n.s.
Visible minority	41.6
Education**	
No high school diploma	41.3
Bachelor's degree or higher	n.s.
Family type**	
Unattached	54.7
Married, no children	23.3
Lone parent	46.5
Other	n.s.
Rural	21.3
Province**	
Quebec	50.5
Alberta	n.s.
British Columbia	39.2
Other	42.6

Source: Survey of Labour and Income Dynamics, 1993-2001

* *Canadian-born married woman with children, aged 35 to 44, with a high school diploma, not a visible minority, residing in an urban area in Ontario.*

** *At beginning of survey.*

n.s. *The probability is not significantly different from that of the reference person. A similar pattern is found if a reference person with different characteristics is selected.*

Summary

The majority of immigrants were no more likely than other Canadians to experience low income from 1993 to 1998, or 1996 to 2001. Nevertheless, three groups of immigrants—recent arrivals who had been in Canada for less than seven years, visible minorities, and seniors who had come to Canada in their late 40s or their 50s—were at greater risk of experiencing low income for at least one year.

Recent immigrants were two to three times more likely than non-immigrants to experience low income, regardless of sex, level of education, family type, or province of residence. Furthermore, they were more likely to experience it repeatedly.

Most mid-term and early immigrants were no more likely than non-immigrants to experience low income, suggesting that, after a period of adjustment,

immigrants generally integrate well into Canada's economy. Nevertheless, the gap between recent immigrants and non-immigrants in both earnings and low income rates has been growing over the past two decades (Frenette and Morissette 2003; Picot and Hou 2003), perhaps indicating that new arrivals will take longer to catch up.

Canadian-born visible minorities were no more likely than others born in Canada to experience low income. However, visible minority immigrants were more likely than other immigrants to be exposed to low income, even among immigrants who had been in Canada for over 17 years. Among those in low income for at least one year, visible minorities (even the Canadian-born) were more likely to experience low income for three or more years.

The increased susceptibility of visible minority immigrants to low income suggests that they may have a more difficult transition than other immigrants. They may be less likely to have a working knowledge of one of the official languages. They may also be less likely to have their educational credentials accepted by regulatory bodies and potential employers. Discrimination is another possible factor; results from the Ethnic Diversity Survey show that 1 in 5 visible minority individuals report discrimination or unfair treatment, particularly in a work setting or when applying for a job (Statistics Canada 2003).

Mid-term immigrants make up a small (3%) but vulnerable proportion of Canada's seniors. They were roughly five times more likely than their Canadian-born counterparts to experience low income. In general, seniors were less likely to experience low income than any other age group. However, mid-term immigrant seniors, who came to Canada in their 50s or late 40s and found work may not have been able to build up sufficient pension wealth to stave off low income.

Notes

1 Most recent immigrant seniors were in their 60s when they arrived, and so had had even less time to accumulate work-related benefits. However, the majority lived with family members rather than alone or in a couple, and therefore did not have to rely on pensions and government transfers as their main source of family income.

2 Canada has social security agreements with several countries, so some immigrant seniors may receive international pension benefits even if they are not eligible for OAS/GIS. Details are available from the Social Development Canada Web site. Internet: http://www.sdc.gc.ca/asp gateway.asp?hr=/en/isp/ibfa/intlben.shtml&hs=ozs.

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